

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 280600Z SEP 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 7872

C O N F I D E N T I A L PHNOM PENH 13020

EXDIS

E.O.11652: GDS

TAGS: PINT PINS CB US PFOR

SUBJECT: MISSION'S EFFORTS TO DEFUSE TENSE LOCAL SITUATION

1. IN ORDER TO INFUSE GREATER SENSE OF SELF-CONFIDENCE INTO KHMER AND DEFLATE POTENTIAL FOR UNREST HERE, WE HAVE TAKEN A NUMBER OF STEPS WHICH ARE BEGINNING TO AFFECT FAVORABLY THE LOCAL POLITICAL AND SOCIAL CLIMATE.

2. AFTER MARSHAL'S RASH ACT OF DISSOLVING TEACHERS' ASSOCIATION (AMCEK), DCM TALKED TO PAN SOTHI AND I WROTE MARSHAL DIRECTLY, URGING TO REPLACE DEFUNCT ASSOCIATION WITH A NEW ORGANIZATION WHICH WILL CARRY ON SOME IMPORTANT PROFESSIONAL FUNCTIONS WITHOUT GETTING ITSELF INVOLVED IN POLITICS. MARSHAL ACCEPTED THIS SUGGESTION AN A NEW TEACHERS' ASSOCIATION HAS BEEN CREATED (PHNOM PENH 12994).

3. IN ORDER TO STOP EXODUS OF KEY GKR OFFICIALS, I WROTE CINC FANK SOSTHENE FERNANDEZ URGING HIM TO CANCEL HIS CEREMONIAL VISITS TO KOREA AND TAIWAN. HE CALLED ON ME SEPTEMBER 26 AND AGREED TO REMAIN IN CAMBODIAN RATHER THAN GO ON BOONDOGGLED ABROAD DURING THIS CRITICAL TIME.

4. I ALSO WROTE PRESIDENT SUGGESTING HE INSTRUCT MINISTER OF FINANCE AND GOVERNOR NATIONAL BANK TO RETURN TO PHNOM PENH IMMEDIATELY AFTER CONCLUSIONOF IMF MEETING OCTOBER 4. PRESIDENT HAS SENT INSTRUCTION
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TO THAT EFFECT (PHNOM PENH 12989). MARSHAL ALSO SENT

MESSAGE TOLONG BORET ASKING HIM TO RETURN HERE AS
SOON AS HE IS NO LONGER NEEDED IN NEW YORK (PHNOM PENH
12988).

5. IN EFFORT TO EXPLAIN ECONOMIC AND FINANCIAL
REFORMS TO KEY KHMER BUSINESS LEADERS, I HAVE CONVENED
MEETING WITH 18 TOP BUSINESSMEN FOR SEPTEMBER 30. IN
ADDITION TO EXPLAINING REASON FOR THESE TECHNICAL
MEASURES, I ALSO INTEND TO REASSURE THEM ON U.S.
POLICY AND INTENTIONS IN KHMER REPUBLIC. REACTION
TO ECONOMIC AND FINANCIAL MEASURES IS LARGELY
PSYCHOLOGICAL; CLEARLY GREAT MAJORITY OF KHMER LACK
CONFIDENCE IN THEIR OWN GOVERNMENT BUT MAINTAIN FAITH
IN U.S.G. THIS EXPLAINS NEED FOR OUR GETTING OURSELVES
INVOLVED IN THIS MATTER.

6. I HAVE SET UP SIMILAR MEETING WITH LEADERS OF
TEACHERS' MOVEMENT FOR OCTOBER 3. PURPOSE IS TO
MAINTAIN DIALOGUE WITH POTENTIAL TROUBLEMAKERS TO
ASSURE MAXIMUM TRANQUILITY DURING WEEKS TO COME.

7. ONLY ONE (ESF) OF THE THREE FOREIGN EXCHANGE
MARKETS HAS STARTED OPERATIONS SO FAR TO FINANCE
IMPORTS. I HAVE BEEN ASSURED BY KHMERS THAT A SECOND
MARKET (FREE MARKET) WILL BEGIN OPERATIONS SEPTEMBER 30.
I HAVE JUST SENT MESSAGE (PHNOM PENH 12966) TO AID
ADMINISTRATOR PARKER TO EXPEDITE PAPERWORK IN
WASHINGTON SO THAT THIRD MARKET-- CIP OPERATIONS --
CAN BE ACTIVATED AS SOON AS POSSIBLE, HOPEFULLY NEXT
WEEK. ANYTHING THAT STATE COULD DO TO ASSURE QUICK
AID ACTION WOULD BE HELPFUL.

8. DCM HAS MET WITH LON NON, WHO WAS ALL SWEETNESS
AND LIGHT. WE HAVE GOTTEN WORD AROUND TOWN THAT WE
ARE IN NO WAY RESPONSIBLE FOR HIS RETURN. WE DON'T
THINK WE SHOULD OSTRACIZE HIM BY REFUSING TO SEE HIM;
HOWEVER, I PLAN TO TELL MARSHAL NEXT WEEK THAT WE DO
NOT APPROVE OF LON NON'S STATED INTENTION TO TRAVEL
TO FANK UNITS AND REGIONAL COMMANDS, NOR THE MANNER
IN WHICH HE IS "TAKING SOUNDINGS" IN PHNOM PENH
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DIPLOMATIC CORPS, GIVING THE IMPRESSION THAT HE IS
ON AN OFFICIAL MISSION. HE IS A PRIVATE CITIZEN AS
FAR AS I AM CONCERNED, AND I WILL TELL MARSHAL THAT
LON NON'S STAYING IN KHMER REPUBLIC DEPENDS ON HIS
BEHAVING AS PRIVATE CITIZEN. RIGHT NOW HE IS ACTING
LIKE A SELF-APPOINTED LEADER WHO HAS MSSION TO SAVE
KHMER REPUBLIC FROM ITSELF.

9. AID AND MEDTC ARE TAKING NECESSARY STEPS TO ASSURE THAT GKR MILITARY AND CIVILIAN PERSONNEL WILL BE PAID ON TIME AND THAT ADQUATE FUNDS ARE AVAILABLE TO MEET SEPTEMBER 30 PAYROOL. ONCE SOLDIERS AND CIVIL SERVANTS GET MONEY IN THEIR HANDS, THIS SHOULD DEFLATE CAUSE OF ANTI-GOVERNMENT DEMONSTRATIONS.

10. LAST SUNDAY WE PLAYED "SOLOMON" BY WIPING OUT 30,000 PHANTOM SOLDIERS FROM FANK ROLES AND USING FUNDS RECOUPED FROM THIS OPERATION TO INCREASE TOTAL FINANCIAL EMOLUMENTS OF FANK TERRITORIAL FORCES. LATTER HAD NOT RECEIVED SUFFICIENT WAGE INCREASE TO OFFSET HIGHER RICE PRICES. THIS DOUBLY USEFUL EXERCISE HOPEFULLY REMEDIED ONE OF THE INEQUITIES OF THE REFORM PACKAGE.

1. CONCLUSION WHICH CAN BE DRAWN FROM ALL OF THESE EXAMPLES IS THAT WHEN KHMER LOSE CONFIDENCE IN THEMSELVES AND GKR APPARATUS GRINDS TO A HALT, U.S. MISSION MUST STEP IN TO PROVIDE NECESSARY INGREDIENT TO KEEP GKR FUNCTIONING. MISSION IS KEEPING ITS COOL HERE AND I REMAIN HOPEFUL THAT WE CAN CONTINUE TO MUDDLE THROUGH HERE FOR A WHILE LONGER. HOWEVER, IT IS CONTINUED CONFIDENCE BY KHMER OF ALL SOCIAL STRATA IN U.S.G. AND NOT IN THEIR OWN LEADERSHIP WHICH KEEPS KHMER MOVING AND ACCEPTING GKR'S ORDERS AND MAKING SACRIFICES REQUIRED BY WAR.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY PERSONNEL, WAGES, POLITICAL SITUATION, TEACHERS, LABOR UNIONS, ECONOMIC PROGRAMS, PERSONNEL TRAVEL, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM13020
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740274-0627
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974095/aaaaadqx.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUL 2002 by kelleyw0>; APPROVED <07 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MISSION'S EFFORTS TO DEFUSE TENSE LOCAL SITUATION
TAGS: PINT, PINS, PFOR, CB, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005